

A STUDY ON CUSTOMER SATISFACTION OF LIFE INSURANCE CORPORATION (LIC) IN NAGAPATTINAM

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ABSTRACT

Life Insurance Corporation of India (LIC) is a monolithic company from last few decades. After the successful implementation of economic reforms in Life insurance sector in India, LIC of India has made several positive efforts to triumph over the hearts of the people. To achieve this LIC of India has adopted a number of new trends in marketing strategies for introducing innovative technologies. The present study is an attempt to delve deep into the recent trends followed by LIC of India in order to make their endeavors and services available to each and every forthcoming customer in the life insurance market. The research paper is a comprehensive study to know whether the implemented strategies have truly helped LIC of India in the changing trends of the society and it also explores how these recent trends have helped LIC of India as a whole, to manage the existing leading position in the Life insurance market.

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INTRODUCTION

The story of insurance is probably as old as the story of mankind. The same instinct that prompts modern businessmen today to secure themselves against loss and disaster existed in primitive men also. They too sought to avert the evil consequences of fire and flood and loss of life and were willing to make some sort of sacrifice in order to achieve security. Though the concept of insurance is largely a development of the recent past, particularly after the industrial era – past few centuries – yet its beginnings date back almost 6000 years.

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Life Insurance in its modern form came to India from England in the year 1818. Oriental Life Insurance Company started by Europeans in Calcutta was the first life insurance company on Indian Soil. All the insurance companies established during that period were brought up with the purpose of looking after the needs of European community and Indian natives were not being insured by these companies. However, later with the efforts of eminent people like Babu Muttylal Seal, the foreign life insurance companies started insuring Indian lives. But Indian lives were being treated as sub-standard lives and heavy extra premiums were being charged on them. Bombay Mutual Life Assurance Society heralded the birth of first Indian life insurance company in the year 1870, and covered Indian lives at normal rates. Starting as Indian enterprise with highly patriotic motives, insurance companies came into existence to carry the message of insurance and social security through insurance to various sectors of society. Bharat Insurance Company (1896) was also one of such companies inspired by nationalism. The Swadeshi movement of 1905-1907 gave rise to more insurance companies. The United India in Madras, National Indian and National Insurance in Calcutta and the Co-operative Assurance at Lahore were established in 1906. In 1907, Hindustan Co-operative Insurance Company took its birth in one of the rooms of the Jorasanko, house of the great poet Rabindranath Tagore, in Calcutta. The Indian Mercantile, General Assurance and Swadeshi Life (later Bombay Life) were some of the companies established during the same period. Prior to 1912 India had no legislation to regulate insurance business. In the year 1912, the Life Insurance Companies Act, and the Provident Fund Act were passed. The Life Insurance Companies Act, 1912 made it necessary that the premium rate tables and periodical valuations of companies should be certified by an actuary. But the Act discriminated between foreign and Indian companies on many accounts, putting the Indian companies at a disadvantage.

The first two decades of the twentieth century saw lot of growth in insurance business. From 44 companies with total business-in-force as Rs.22.44 crore, it rose to 176 companies with total business-in-force as Rs.298 crores in 1938. During the mushrooming of insurance companies many financially unsound concerns were also floated which failed miserably. The Insurance Act 1938 was the first legislation governing not only life insurance but also non-life insurance to provide strict state control over insurance business. The demand for nationalization of life insurance industry was made repeatedly in the past but it gathered momentum in 1944 when a bill to amend the Life Insurance Act 1938 was introduced in the Legislative Assembly. However, it was much later on the 19th of January, 1956, that life insurance in India was nationalized. About 154 Indian insurance companies, 16 non-Indian companies and 75 provident were operating in India at the time of nationalization. Nationalization was accomplished in two stages; initially the management of the companies was taken over by means of an Ordinance, and later, the ownership too by means of a comprehensive bill. The Parliament of India passed the Life Insurance Corporation Act on the 19th of June 1956, and the Life Insurance Corporation of India was created on 1st September, 1956, with the objective of spreading life insurance much more widely and in particular to the rural areas with a view to reach all insurable persons in the country, providing them adequate financial cover at a reasonable cost.

LIC had 5 zonal offices, 33 divisional offices and 212 branch offices, apart from its corporate office in the year 1956. Since life insurance contracts are long term contracts and during the currency of the policy it requires a variety of services need was felt in the later

years to expand the operations and place a branch office at each district headquarter. Re-organization of LIC took place and large numbers of new branch offices were opened. As a result of re-organisation servicing functions were transferred to the branches, and branches were made accounting units. It worked wonders with the performance of the corporation. It may be seen that from about 200.00 crores of New Business in 1957 the corporation crossed 1000.00 crores only in the year 1969-70, and it took another 10 years for LIC to cross 2000.00 crore mark of new business. But with re-organisation happening in the early eighties, by 1985-86 LIC had already crossed 7000.00 crore Sum Assured on new policies.

Today LIC functions with 2048 fully computerized branch offices, 109 divisional offices, 8 zonal offices, 992 satellite offices and the Corporate office. LIC's Wide Area Network covers 109 divisional offices and connects all the branches through a Metro Area Network. LIC has tied up with some Banks and Service providers to offer on-line premium collection facility in selected cities. LIC's ECS and ATM premium payment facility is an addition to customer convenience. Apart from on-line Kiosks and IVRS, Info Centres have been commissioned at Mumbai, Ahmedabad, Bangalore, Chennai, Hyderabad, Kolkata, New Delhi, Pune and many other cities. With a vision of providing easy access to its policyholders, LIC has launched its SATELLITE SAMPARK offices. The satellite offices are smaller, leaner and closer to the customer. The digitalized records of the satellite offices will facilitate anywhere servicing and many other conveniences in the future.

LIC continues to be the dominant life insurer even in the liberalized scenario of Indian insurance and is moving fast on a new growth trajectory surpassing its own past records. LIC has issued over one crore policies during the current year. It has crossed the milestone of issuing 1,01,32,955 new policies by 15th Oct, 2005, posting a healthy growth rate of 16.67% over the corresponding period of the previous year.

From then to now, LIC has crossed many milestones and has set unprecedented performance records in various aspects of life insurance business. The same motives which inspired our forefathers to bring insurance into existence in this country inspire us at LIC to take this message of protection to light the lamps of security in as many homes as possible and to help the people in providing security to their families.

1.1 Some of the Important Milestones in the Life Insurance Business in India are:

- **1818:** Oriental Life Insurance Company, the first life insurance company on Indian soil started functioning.
- **1870:** Bombay Mutual Life Assurance Society, the first Indian life insurance company started its business.
- **1912:** The Indian Life Assurance Companies Act enacted as the first statute to regulate the life insurance business.
- **1928:** The Indian Insurance Companies Act enacted to enable the government to collect statistical information about both life and non-life insurance businesses.
- **1938:** Earlier legislation consolidated and amended to by the Insurance Act with the objective of protecting the interests of the insuring public.
- **1956:** 245 Indian and foreign insurers and provident societies are taken over by the central government and nationalized. LIC formed by an Act of Parliament, viz. LIC Act, 1956, with a capital contribution of Rs.5 crores from the Government of India.

The General insurance business in India, on the other hand, can trace its roots to the Triton Insurance Company Ltd., the first general insurance company established in the year 1850 in Calcutta by the British.

1.2 Some of the Important Milestones in the General Insurance Business in India are:

- **1907:** The Indian Mercantile Insurance Ltd. set up, the first company to transact all classes of general insurance business.
- **1957:** General Insurance Council, a wing of the Insurance Association of India, frames a code of conduct for ensuring fair conduct and sound business practices.
- **1968:** The Insurance Act amended to regulate investments and set minimum solvency margins and the Tariff Advisory Committee set up.
- **1972:** The General Insurance Business (Nationalisation) Act, 1972 nationalised the general insurance business in India with effect from 1st January 1973.

107 insurers amalgamated and grouped into four companies' viz. the National Insurance Company Ltd., the New India Assurance Company Ltd., the Oriental Insurance Company Ltd. and the United India Insurance Company Ltd. GIC incorporated as a company.

1.3 Benefits

- Customer have only bonus, there will be no interested.
- The policy holder eligible to apply any kind of loan especially housing loan. So they can use as a security .
- Tax deduction is applicable under 80D

REVIEW OF LITERATURE

Mishra, K.C. and Simita Mishra (2000) in their article on "Insurance Industry: Recipe for a Learning Organization" say that like any other industry, insurance industry in India suffers from one challenge repeatable a hundred times, that is the constraints of infrastructure.

Balasubramanian, T.S. and Gupta, S.P. (2000) in their book on "Insurance Business Environment" explain at length the global and Indian pictures of Insurance systems. The impact of globalization and also liberalization on Insurance business environment is also discussed analytically to have a clear understanding of the challenges faced by the insurance industry.

Mitra Debabrata (2000) in the thesis entitled "Employees and the PSU: A Study of their Relationship with Special reference to Jalpaiguri Division of the Life Insurance Corporation of India" opines that the State-owned Undertakings provide all sorts of facilities and amenities to employees along with usual emoluments. But, their productive rate is low when compared it with the private sector undertakings. In the Jalpaiguri Division, the employee relationship with the LIC is clearly discussed and some suggestions are also given in the thesis.

Wadikar Ashok Laxaman (2001) in his thesis on "Innovativeness in the Insurance Industries", Ph.D. Thesis submitted to the Department of Management, University of Pune, Pune, 2001. Confirms a general opinion that innovativeness in every activity alone rules

and dominates the industry. But, at the same time, the practicality and economic justification of that innovativeness are also to be analysed.

BalachandWran, S. (2001) in his book on "Customer Driven Services Management" concludes that the insurance industry is fast growing and mostly becoming a customer driven and customer centric one. He also advocates that when the insurance products are attractive to the customers, then only the insurance industry flourishes in the market and serves its purpose of profit earning and also income generation.

Srivastava, D.C. and Srivastava, S. (2001) in their book on "Indian Insurance Industry–Transition and Prospects" discuss analytically the financial significance of insurance industry, its contribution to Indian economy and also the transitory prospects and challenges of insurance industry due to liberalization and the opening up of the sector to private players.

Mark S. Dorfman (2002) in his book on "Introduction to Risk Management and Insurance" reviews the salient features of the insurance industry and also the role played by the private enterprise. The different types of insurance intermediaries are also discussed at length with suitable illustrations incorporated wherever necessary.

Charles P Jones (2002) in his book on "Investment Analysis and Management" explains clearly about the framework for evaluating portfolio performance through return and risk considerations. The Risk-Adjusted measures of performance and also the problems associated with Portfolio Measurement are also discussed.

Ajay Mahal (2002) in his article on "Assessing Private Health Insurance in India–Potential Impacts and Regulatory Issues" asserts that the entry of private health insurance companies in India is likely to have an impact on the costs of health care, equity in the financing of care and the quality and cost-effectiveness of such care. However, he mentions that an informed consumer and a well-implemented insurance regulation regime in many cases eliminate some of the bad outcomes.

Dan Segal Leonard N. Stern School of Business New York University "An Economic Analysis of Life Insurance Company Expenses" has analysed the expenses of the Life Insurance Companies.

2.1 Types of Insurance

The main Article for this category is insurance

- Agricultural Insurance
- Health Insurance
- Life Insurance
- Vehicle Insurance

2.2 Insurance Plans

As individuals it is inherent to differ. Each individual's insurance needs and requirements are different from that of the others. LIC's Insurance Plans are policies that talk to you individually and give you the most suitable options that can fit your requirement.

2.2.1 Endowment Plan

- Single Premium Endowment Plan

- New Endowment Plan
- New Jeevan Anand
- LIC's Jeevan Rakshak
- LIC's Limited Premium Endowment Plan

2.2.2 Money Back Plans

- LIC's New Money Back Plan - 20 Years
- LIC's New Money Back Plan - 25 Years
- LIC's New BIMA BACHAT

2.3 Life Insurance Policies in India

Insurance forms a critical part in our lives these days. Insurance investment is seen as an added security to you and your family in later years. When you buy an insurance policy you are giving protection for your family even when you no more exist on this earth. To meet the demands of people from various walks of life there are different life insurance plans. Read on to know more on this.

Income-Tax and Tax Benefits from Life Insurance

Income-Tax Rates for Assessment Year 2015-2016 (Financial Year 2014-2015)

Income Slabs			Tax Rates
Individual & HUF below age of 60 years	Individual 60 years of age and more but less than 80 years	Individual 80 years of age and more	
Income upto Rs.2,50,000	Income upto Rs.3,00,000	Income upto Rs.5,00,000	NIL
Rs.2,50,001 to Rs.5,00,000	Rs.3,00,001 to Rs.5,00,000	--	10%
Rs.5,00,001 to Rs.10,00,000	Rs.5,00,001 to Rs.10,00,000	Rs.5,00,001 to Rs.10,00,000	20%
Above Rs.10,00,001	Above Rs.10,00,001	Above Rs.10,00,001	30%

Surcharge: In the cases of persons covered under the above categories having a total income exceeding one crore rupees, the income tax as calculated above be increased by a surcharge at the rate of ten per cent of such income-tax.

GENERAL BENEFITS

Almost all the above mentioned life insurance policies serve as a boon to face the uncertainties in life boldly. Some of the general benefits of these plans are as follows.

- **Death Benefits:** Most of the Life Insurance Policies provides protection to the family or the guarantor in case of unfortunate death of the nominee.
- **Maturity Benefits:** During the time of maturity you will get the guaranteed money back plus other added benefits mentioned in the plan. In some of the plans there is also an option to withdraw certain money during regular interval.

- **Tax Benefit:** As per section 80C of Income Tax Act the amount you pay as a premium is benefited from your tax amount, however this is limited upto Rs. 1,00,000 per annum. Additionally, in case of physical handicapped Rs. 50,000 more is non-taxable and in case of severe handicap problem this amount is increased upto Rs. 75,000. Further according section 10D any returns obtained as death benefits or maturity benefits is tax free. However, in case of maturity benefits the premium per annum should not exceed 20% of assured sum.
- **Loan Facility:** Some of the Insurance Policies allow you to take loan against your policy. In this case loan amount depends on the life insurance policy, premiums paid and the overall term.
- **Riders:** Riders are some added benefits along with the life insurance coverage. Some of the insurance policies allow you to invest part of your premium amount on market shares thereby helping to gain extra bonus.

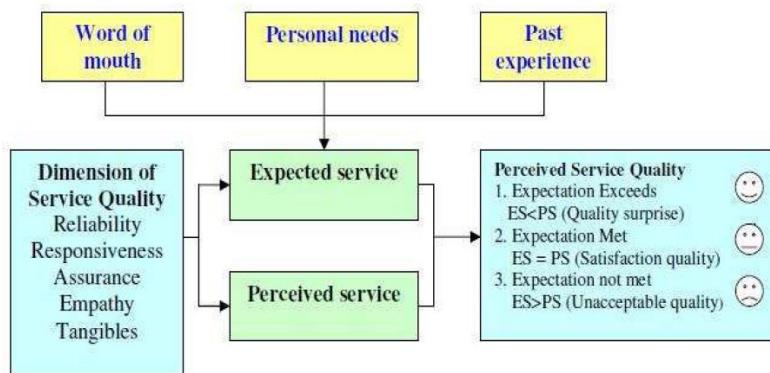
3.1 Life Insurance in Tamil Nadu

By the 1800s, Mount Road has become the traders' area of the city of Madras while First Line Beach in Georgetown remained the seat of processing, shipping and manufacturing businesses. However, the business activities of Mount Road were responsible for the city's economic growth. Several giant firms had beginnings on Mount Road, from the Amalgamations group to the TVS group. The road's proximity to the Government House, the home of the Governor, and the palaces of the Nawabs of Arcot resulted in several firms selling cars and other luxury goods setting up shops on the road. Simpson & Co, which moved to its current location opposite Government Estate after 1875, began building carriages and coaches and then cars. In 1903, the first steam-driven car was taken for its debut drive on Mount Road. To overcome the Great Depression of the 1930s, Simpon's introduced the hire purchase system for cars and trucks. In the 1930s, the TVS group, which was a travel operator in mofussil areas, was established in Madras by acquiring the Madras Auto Service property. In the 1940s, Anantharamakrishnan helped with the formation of Amalgamations & Co. The city's first skyscraper, the LIC Building, was built in 1959. Several major firms were then established.

3.2 Life Insurance at Nagapattinam

Insurance is the backbone of a country's risk management system. In a contract of an Insurance, by insurer agrees or undertakes in consideration of a sum of Money (premium) , to make good the loss suffered by the insured against a specified risk such as fire and any other similar contingency or compensate the insured or beneficiaries on the happening of a specified events such as accident or death . The insurance company established on 1970's. The Government after careful study of the situation resorted to nationalization by an Act of parliament which began to function on 1st Sep 1956. The Objectives of the study is to study the various policies offered by LIC of India, and to study the consumer and preference towards LIC of India. The primary data and secondary data will be collected. The study area is limited to Nagapattinam District.

3.3 Service Quality of LIC



3.4 Total Number of Customers for LIC Policy in Nagapattinam District

Totally Nagapattinam District has 3 Lakhs LIC Policy holders and Nagapattinam District LIC Branch issued the policy around 8500 Customers in the year. Also initially this target was 25 crores but they have reached almost 18 crores which is 70% of initial assessment.

3.5 Customer Satisfaction of Particular Policy

New Endowment Plans - (Plan No. 814):

- All levels of people like this policy because of
 - Low Premium
 - Granted Loan facility
 - Just enough age proof only

New Money back Period (Plan No. 820 &821):

- This policy period is up to 4 to 5 years
- Every four and five years they will provide 20% of Survival benefits
- Little Bit of Premium paid and getting more satisfaction

Amulya Jeewan (Plan No. 823):

- This policy is otherwise called as Real Insurance in foreign countries it is also policy known as time insurance.
- We have sum constraints to take this policy. The sum assured should be minimum 5 lakhs and for maximum this policy has no limit.

LIC Health plus (Plan No. 901):

- Whole Family will get benefits when any one of the family members takes this policy.

3.6 Type of Policy

1) Bima Account Plans

- Bima Account 1
- Bima Account 2

2) Endowment Plus

3) Child Plans

- Jeevan Anurag
- CDA Endowment Vesting at 21
- CDA Endowment Vesting at 18
- Jeevan Kishore
- Child Career Plan
- Jeevan Ankur
- Komal Jeevan
- Marriage Endowment or Educational Annuity Plan
- Jeevan Chhaya
- Child Future Plan

4) Plans for Handicapped Dependents

- Jeevan Aadhar
- Jeevan Vishwas

5) Endowment Assurance Plans

- The Endowment Assurance Policy
- The Endowment Assurance Policy- Limited Premium
- Jeevan Mitra (Double Cover Endowment Plan)
- Jeevan Anand (Triple Cover Endowment Plan)
- New Janaraksha Plan
- Jeevan Amrit
- Jeevan Vaibhav (Single Premium Endowment Assurance Plan)

6) Plans for High worth Individuals

- Jeevan Shree-I
- Jeevan Pramukh

7) Money Back Plans

- The Money Back Policy – 20 Years
- The Money Back Policy- 25 Years
- Jeevan Surabhi – 15 Years
- Jeevan Surabhi – 20 Years
- Jeevan Surabhi- 25 Years
- Bima Bachat

8) Special Money Back Plan for Women

- Jeevan Bharati-I

9) Whole Life Plans

- The Whole Life Policy

- The Whole Life Policy- Limited Premium
- The Whole Life Policy- Single Premium
- Jeevan Anand
- Jeevan Tarang

10) Term Assurance Plans

- Two Year Temporary Assurance Policy
- The Convertible Term Assurance Policy
- Anmol Jeevan-I
- Amulya Jeevan-I

11) Joint Life Plan

- Jeevan Sathi

CONCLUSION

LIC has been successfully able to create value for its policyholders. The performance evaluation shows consistent increase in its business. During the period of the study there is no major change in the performance of the LIC. So it explains that the performance is unchanged and LIC has maintained the market value of its products. After introduction of IRDA (Insurance Regulatory & Development Authority), LIC has become more conscious for the products. As private players are coming up. Now a day, competition is increasing and LIC has made efforts to continue its business. Apart from this, LIC need to control the investment level. As the above table also reflects that the investment (Policy holders') has this second highest variance, so investment (policyholders') also need to reduce. Researcher has evaluated the various components of expenses with scientific methodology to justify the performance so to conclude LIC as doing good job, managing the products, and related marketing strategies effectively. But as per analysed data we can say that LIC need to control the Operating Expenses, so as to not affect its income. LIC is a pioneer institute in Indian economy; so after IRDA and privatization of insurance sector, the way of achieving the effective result is not a smooth task, but LIC has to work hard.

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